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STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

Conducted Under Contract By
James J. Wosepka
Certified Public Accountant

Fiscal Years Ended June 30, 1989 and 1990

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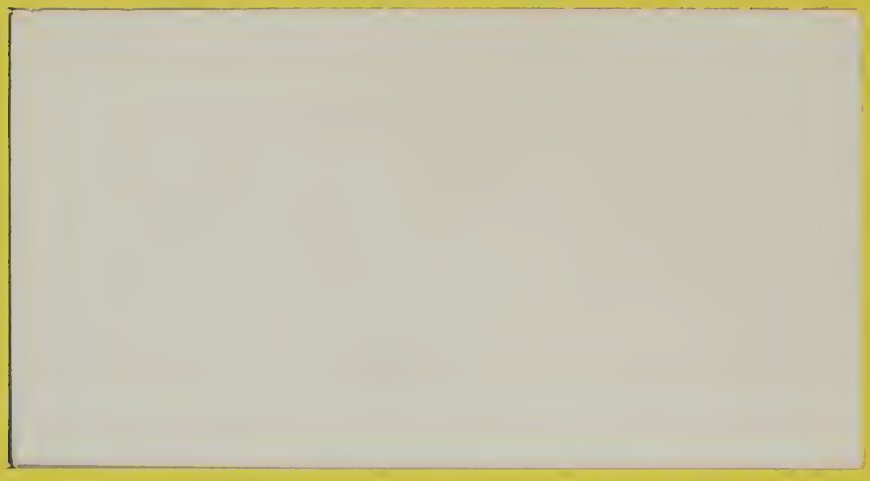

STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

Conducted Under Contract By
James J. Wosepka
Certified Public Accountant

Fiscal Years Ended June 30, 1989 and 1990

due
DEC 6 1995

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

November 1990

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Miles Community College for the two fiscal years ended June 30, 1990.

The audit was conducted by James J. Wosepka, Certified Public Accountant under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

MBr/v/f6.ltr

Enclosure

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

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MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

MONTANA BOARD OF REGENTS OF HIGHER EDUCATION

TED SCHWINDEN	Governor
CARROL KRAUSE	Commissioner of Higher Education
NANCY KEENAN	Superintendent of Public Instruction
DENNIS E. LIND (1996)	Chairman
WILLIAM L. MATHERS (1994)	Vice-Chairman
KERMIT R. SCHWANKE (1997)	
THOMAS F. TOPEL (1993)	
ELSIE REDLIN (1991)	
JIM KAZE (1992)	
VICKIE RAE CLOUSE (1990)	

MILES COMMUNITY COLLEGE BOARD OF TRUSTEES

JAMES P. LUCAS
PAUL MOTTRAM
EILLEEN CARLSON
SHARON W. WILCOX
KEN BOWAR
MILTON BENGE
MARSHALL GARDNER

ADMINISTRATION

JUDSON H. FLOWER	President
GEORGE E. BELL	Dean of Instructional Services
W. WAYNE MURI	Business Manager
DALE E. OBERLANDER	Dean of Student Services
FRED MCKEE	Director of Planning and Development

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

GENERAL

I performed a financial/compliance audit of the Miles Community College for the fiscal years ended June 30, 1989 and 1990. The objectives of my audit were to: (1) determine if the financial statements of the college present fairly its financial position and results of operations for the fiscal years then ended; (2) determine if the college complied with applicable state and federal laws and regulations; (3) make recommendations for the improvement of management and internal controls; and (4) determine whether prior audit recommendations have been effectively implemented.

I thank the Miles Community College staff for their cooperation and assistance during my audit.

BACKGROUND

Miles Community College at Miles City, Montana was founded in 1939 under authority of legislation enacted by the Montana Legislative Assembly earlier that same year. For almost twenty years the college, then titled Custer County Junior College, operated out of a few rooms in the local public high school. In 1957 the college moved into the former Milwaukee RR Depot Building, which was constructed after passage of a bond issue by county voters. The new building is located on the present campus site, which was donated to the college by the American Legion.

A resolution passed by the joint College-High School Board in January, 1970, established an independent junior college district. On April 4, 1970, voters of the district elected the first independent Board of Trustees for the college. During academic year 1971-72 the college purchased a Vo-Tech Building adjacent to the campus, and completed construction of a new Student Center.

In December 1971, Miles Community College was granted full accreditation by the Northwest Association of Schools and Colleges. The fifth year review by the Northwest Association continued the full accreditation of the College and reaffirmed the quality of the programs, thereby insuring the easy transfer of credits to other colleges.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

A grant of 1.5 million dollars from the Montana Coal Board in 1977 enabled the College to construct a new vocational building and library-classroom addition.

Construction of a physical recreation complex was completed in November, 1980. This facility includes a large gymnasium, four racquetball-handball courts, and an exercise deck with weight machines.

The college has access to a 46-unit co-ed dormitory which was ready for occupancy in the Fall of 1981.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

RECOMMENDATIONS

Inventory of Property, Plant and Equipment

The college does not conduct an annual inventory of property, plant and equipment. Retirements of equipment are not recorded and there is no formal procedure for handling retirements.

Recommendation #1

I recommend the college:

A. Reconcile the subsidiary ledger of property, plant and equipment to the Investment in Plant Fund.

B. Establish a formal procedure for the approval and recording of sale, loss or abandonment of property, plant and equipment.

College Response: Concur

Delinquency Rate Exceeds 5% in NSL Program

The college is no longer making loans under the NSL Program, however, the delinquency rate is still in excess of 5% allowed by HHS guidelines.

Recommendation #2

I recommend the college continue its collection efforts to reduce the delinquency rate.

College Response: Concur

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

FTE COUNTS

A major funding criterion for the College is the number of full-time equivalent (FTE) students registered. FTE's are computed in accordance with guidelines published by the Commissioner of Higher Education. I reviewed the FTE counts reported by the College for fiscal years 1988-1989 and 1989-1990 for compliance with published guidelines and accuracy. I found no exceptions at the Miles Community College (see Student Full-Time Equivalent, page 27).

PRIOR AUDIT RECOMMENDATIONS

The audit of two fiscal years ended June 30, 1988 of the Miles Community College contained seven recommendations. Five of the recommendations were implemented or not applicable to the current audit period. The other two recommendations are repeated as part of current year recommendations.

JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANT

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10 EAST MONTANA AVENUE
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Legislative Audit Committee
of the Montana State Legislature

I have examined the accompanying financial statements of Miles Community College, for the years ended June 30, 1989 and 1990 and have issued my report thereon dated October 7, 1990. My examination was made in accordance with generally accepted auditing standards; Government Auditing Standards; and the provisions of OMB Circular A-133 and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The management of Miles Community College, is responsible for the College's compliance with laws and regulations. In connection with the examinations referred to above, I selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of my testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that Miles Community College had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which I believe could have a material effect on the allowability of program expenditures.

My testing of transactions and records selected from major federal financial assistance programs disclosed no instances of noncompliance.

In my opinion, for the years ended June 30, 1989 and 1990, Miles Community College administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which I believe could have a material effect on the allowability of program expenditures.

The results of my testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested Miles Community College, complied with the laws and regulations referred to in the second paragraph of my report. My

LICENSED IN NORTH DAKOTA AND MONTANA

testing was more limited than would be necessary to express an opinion on whether Miles Community College administered those laws and regulations noncompliance with which I believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by me nothing came to my attention to indicate that Miles Community College had not complied with laws and regulations.

James J. Wozniak

October 7, 1990
Baker, Montana

AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JAMES J. WOSEPKA
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(406) 778-2816

INDEPENDENT AUDITOR'S REPORT

Legislative Audit Committee
of the Montana State Legislature:

I have audited the accompanying financial statements of Miles Community College as of and for the years ended June 30, 1989 and 1990 as listed in the table of contents. The financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and government auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Miles Community College as of June 30, 1989 and 1990, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

My examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the supplementary schedules is presented for purpose of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the examinations of the financial statements of Miles Community College, and in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

James J. Wosepka

October 7, 1990
Baker, Montana

LICENSED IN NORTH DAKOTA AND MONTANA

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

BALANCE SHEET
JUNE 30, 1989

ASSETS

	CURRENT FUNDS					PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Cash on Hand & in Bank	$ 3,000	$ --	$ 670	$12,932	$ --	$ --	$ --	$ --
Cash on Deposits with County Treasurer	145,161	51,982	14,347	3,194	12,364	4,960	<73,889>	--
Receivables:								
Taxes Receivable	150,925	--	--	--	--	--	--	--
Student Loan Rec.	--	--	--	67,680	--	--	--	--
Accounts Receivable	2,489	272	2,963	--	--	--	--	--
Total Receivables	153,414	272	2,963	67,680	--	--	--	--
Prepaid Expenses	11,491	--	--	--	--	--	--	--
Inventories	--	--	33,274	--	--	--	--	--
Property, Plant & Equipment:								
Land	--	--	--	--	--	--	--	204,298
Buildings and Improvements				--	--	--	--	3,679,619
Equipment/Library Books	--	--	--	--	--	--	--	1,583,696
Total Property, Plant & Equipment	--	--	--	--	--	--	--	5,467,613
Total Assets	$313,066	$52,254	$51,254	$83,806	$12,364	$ 4,960	$<73,889>	$5,467,613

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

BALANCE SHEET
JUNE 30, 1989

LIABILITIES AND FUND BALANCES

	CURRENT FUNDS					PLANT FUNDS		
Liabilities:	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUND	AGENCY FUND	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Accounts Payable and Accrued Liabilities	$ 22,223	$15,455	$ 1,177	$ 1,722	$ --	$ --	$ --	$ --
Compensated Absences	79,539	--	--	--	--	--	--	--
Accrued Bond Interest Payable	--	--	--	--	--	--	--	--
Other Liabilities and Deposits	--	--	--	--	12,364	--	--	--
Unearned Revenues	10,495	--	--	--	--	--	--	--
Mortgage Payable	--	--	--	--	--	--	--	611,143
Total Liabilities	112,257	15,455	1,177	1,722	12,364	--	--	611,143
Fund Balances	200,809	36,799	50,077	82,084	--	4,960	<73,889>	4,856,470
Total Liabilities and Fund Balances	$313,066	$52,254	51,254	$83,806	$12,364	$4,960	$<73,889>	$5,467,613

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CHANGES IN FUND BALANCES
JUNE 30, 1989

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES & OTHER ADDITIONS:							
Unrestricted Fund Revenues	$1,681,631	$892,828	$227,130	$ --	$ --	$ --	$ --
Restricted Student Fees	--	--	--	--	--	33,260	--
State Funds	--	--	--	--	--	--	--
Federal Capital Contributions	--	--	--	9,118	--	--	--
Private Capital Contributions	--	--	--	744	--	--	--
Investment Income	--	--	--	201	--	--	--
Interest on Loans	--	--	--	1,635	--	--	--
Expended For Plant Facilities	--	--	--	--	--	--	165,370
Retirement of Indebtedness	--	--	--	--	--	--	18,893
Total Revenues and Other Additions	1,681,631	892,828	227,130	11,698	--	33,260	184,263
EXPENDITURES & OTHER DEDUCTIONS:							
Educational and General Expenditures	1,549,841	889,781	--	--	5,338	--	--
Auxiliary Enterprise Expenditures	--	--	260,462	--	--	--	--
Administrative Expenditures	--	--	--	1,928	--	--	--
Increased Debt	--	--	--	--	--	--	458,299
Retirement of Indebtedness	--	--	--	--	--	18,893	--
Interest on Indebtedness	--	--	--	--	--	5,735	--
Total Expenditures and Other Deductions	$1,549,841	$889,781	$260,462	$ 1,928	$ 5,338	$ 24,628	$ 458,299

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CHANGES IN FUND BALANCES
JUNE 30, 1989

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Refund of Federal Funds	$ --	$ --	$ --	$ <1,486>	$ --	$ --	$ --
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):							
For Retirement of Indebtedness	<6,971>	--	--	--	--	6,971	--
Voluntary Transfers	<42,657>	9,421	32,223	1,013	--	--	--
Total Transfers	<49,628>	9,421	32,223	1,013	--	6,971	--
Net Increase (Decrease) in Fund Balance	82,162	12,468	<1,109>	9,297	5,338	15,603	<274,036>
Fund Balance, Beginning of Year	118,647	24,331	51,186	72,787	10,298	<89,492>	5,130,506
Fund Balance, End of Year	$200,809	$36,799	$50,077	$ 82,084	$ 4,960	$<73,889>	$4,856,470
FUND BALANCES CONSISTS OF:							
Unrestricted	$200,809	$ --	50,077	$ --	$ --	$ --	--
College Contribution	--	--	--	15,137	--	--	--
Federal Contribution	--	--	--	95,135	--	--	--
Non-Capital Deficit	--	--	--	<28,188>	--	--	--
Restricted	--	36,799	--	--	4,960	<73,889>	--
Net Investment in Plant	--	--	--	--	--	--	4,856,470
Total Fund Balances	$200,809	$36,799	$50,077	$ 82,084	$ 4,960	$<73,889>	$4,856,470

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CURRENT FUNDS, REVENUES,
EXPENDITURES AND OTHER CHANGES
JUNE 30, 1989

	UNRESTRICTED GENERAL OPERATING FUNDS	RESTRICTED FUNDS	AUXILIARY FUNDS
REVENUES:			
Tuition & Fees	$ 240,786	$ 882	$ --
State Appropriations	720,242	--	--
County Tax Levy	656,025	--	--
Federal Grants & Contracts	--	781,617	--
State Grants & Contracts	--	83,793	--
Private Grants & Contracts	--	24,912	--
Other	64,578	1,624	227,130
Total Revenues	1,681,631	892,828	227,130
EXPENDITURES:			
Instructional	636,277	157,118	--
Academic Support	155,506	212,764	--
Student Service, Aid & Support	231,224	519,899	--
Operation & Maintenance of Plant	234,363	--	--
Instructional Support	249,709	--	--
Public Service	42,762	--	--
Auxilary Enterprises	--	--	260,462
Total Expenditures	1,549,841	889,781	260,462
TRANSFERS, INCREASE (DECREASE):			
Voluntary Transfers	<49,628>	9,421	32,223
Net Increase (Decrease) in Fund Balance	$ 82,162	$ 12,468	$ <1,109>

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

BALANCE SHEET
JUNE 30, 1990

ASSETS

	CURRENT FUNDS					PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Cash on Hand & in Bank	$ 3,300	$ ---	$ 670	$ 9,364	$ --	$ --	$ --	$ --
Cash on Deposits with County Treasurer	221,652	32,646	1,127	1,110	8,029	5,146	<59,385>	--
Receivables:								
Taxes Receivable	128,311	--	--	--	--	--	--	--
Student Loan Rec.	--	--	--	81,930	--	--	--	--
Accounts Receivable	6,032	13,753	5,258	--	--	--	--	--
Total Receivables	134,343	13,753	5,258	81,930	--	--	--	--
Prepaid Expenses	11,067	--	--	--	--	--	--	--
Inventories	--	--	32,124	--	--	--	--	--
Property, Plant & Equipment:								
Land	--	--	--	--	--	--	--	204,298
Buildings and Improvements (Including Construction in Progress)	--	--	--	--	--	--	--	3,679,619
Equipment/Library Books	--	--	--	--	--	--	--	1,716,298
Total Property, Plant & Equipment	--	--	--	--	--	--	--	5,600,215
Total Assets	$370,362	$46,399	$39,179	$92,404	$8,029	$5,146	$<59,385>	$5,600,215

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

BALANCE SHEET
JUNE 30, 1990

LIABILITIES AND FUND BALANCES

	CURRENT FUNDS					PLANT FUNDS		
Liabilities:	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Accounts Payable and Accrued Liabilities	$ 40,463	$21,253	$ 4,557	$ 1,481	$ --	$ --	$ --	$ --
Compensated Absences	93,042	--	--	--	--	--	--	--
Accrued Bond Interest Payable	--	--	--	--	--	--	--	--
Other Liabilities and Deposits	--	--	--	--	8,029	--	--	--
Unearned Revenues	11,492	--	--	--	--	--	--	--
Mortgage Payable	--	--	--	--	--	--	--	592,838
Total Liabilities	144,997	21,253	4,557	1,481	8,029	--	--	592,838
Fund Balances	225,365	25,146	34,622	90,923	--	5,146	<59,385>	5,007,377
Total Liabilities and Fund Balances	$370,362	$46,399	$39,179	$92,404	$ 8,029	$ 5,146	$<59,385>	$5,600,215

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CHANGES IN FUND BALANCES
JUNE 30, 1990

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES & OTHER ADDITIONS:							
Unrestricted Fund Revenues	$1,796,892	$1,031,384	$231,173	$ --	$ --	$ --	$ --
Restricted Student Fees	--	--	--	--	--	31,912	--
State Funds	--	--	--	--	--	--	--
Federal Capital Contributions	--	--	--	8,793	--	--	--
Private Capital Contributions	--	--	--	655	--	--	--
Investment Income	--	--	--	572	--	--	--
Interest on Loans	--	--	--	1,457	--	--	--
Expended For Plant Facilities	--	--	--	--	--	--	132,602
Retirement of Indebtedness	--	--	--	--	--	--	18,305
Total Revenues and Other Additions	1,796,892	1,031,384	231,173	11,477	--	31,912	150,907
EXPENDITURES & OTHER DEDUCTIONS:							
Educational and General Expenditures	1,716,118	1,064,340	--	--	2,814	--	--
Auxiliary Enterprise Expenditures	--	--	271,757	--	--	--	--
Administrative Expenditures	--	--	--	1,532	--	--	--
Expended for Plant Facilities	--	--	--	--	--	--	--
Retirement of Indebtedness	--	--	--	--	--	18,305	--
Interest on Indebtedness	--	--	--	--	--	4,912	--
Total Expenditures and Other Deductions	$1,716,118	$1,064,340	$271,757	$ 1,532	$ 2,814	$ 23,217	$ --

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CHANGES IN FUND BALANCES
JUNE 30, 1990

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Refund of Federal Funds	$ --	$ --	$ --	$ 2,083	$ --	$ --	$ --
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):							
For Retirement of Indebtedness	<5,809>	--	--	--	--	5,809	--
Voluntary Transfers	<50,409>	21,303	25,129	977	3,000	--	--
Total Transfers	<56,218>	21,303	25,129	977	3,000	5,809	--
Net Increase (Decrease) in Fund Balance	24,556	<11,653>	<15,455>	8,839	186	14,504	150,907
Fund Balance, Beginning of Year	200,809	36,799	50,077	82,084	4,960	<73,889>	4,856,470
Fund Balance, End of Year	$225,365	$25,146	$ 34,622	$ 90,923	$ 5,146	$<59,385>	$5,007,377
FUND BALANCES CONSISTS OF:							
Unrestricted	$225,365	$ --	$ 34,622	$ --	$ --	$ --	--
College Contribution	--	--	--	16,114	--	--	--
Federal Contribution	--	--	--	101,845	--	--	--
Non-Capital Deficit	--	--	--	<27,034>	--	--	--
Restricted	--	25,146	--	--	5,146	<59,385>	--
Net Investment in Plant	--	--	--	--	--	--	5,007,377
Total Fund Balances	$225,365	$25,146	$ 34,622	$ 90,923	$ 5,146	$<59,385>	$5,007,377

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CURRENT FUNDS, REVENUES,
EXPENDITURES AND OTHER CHANGES
JUNE 30, 1990

	UNRESTRICTED GENERAL OPERATING FUNDS	RESTRICTED FUNDS	AUXILIARY FUNDS
REVENUES:			
Tuition & Fees	$ 288,158	$ 2,570	$ --
State Appropriations	766,848	--	--
County Tax Levy	653,126	--	--
Federal Grants & Contracts	--	879,749	--
State Grants & Contracts	--	116,041	--
Private Grants & Contracts	--	32,881	--
Other	88,760	143	231,173
Total Revenues	1,796,892	1,031,384	231,173
EXPENDITURES:			
Instructional	687,524	149,911	--
Academic Support	175,314	341,024	--
Student Service , Aid & Support	260,879	573,405	--
Operation & Maintenance of Plant	243,999	--	--
Instructional Support	295,232	--	--
Auxilary Enterprises	--	--	271,757
Total Expenditures	1,716,118	1,064,340	271,757
TRANSFERS, INCREASE (DECREASE):			
Voluntary Transfers	<56,218>	21,303	25,129
Net Increase (Decrease) in Fund Balance	$ 24,556	$ <11,653>	$<15,455>

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENTS OF CASH FLOW OF AUXILIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 1989 AND 1990

	1989	1990
Cash Flow From Operating Activities:		
Net Loss	$(33,332)	$(40,584)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
(Increase) in Accounts Receivable	(806)	(2,295)
(Increase) decrease in Inventories	(2,412)	1,150
Increase in Accounts Payable	195	3,380
Net Cash Used by Operations	(36,355)	(38,349)
Cash Transfered From Other Funds	32,223	25,129
Net (Decrease) in Cash	(4,132)	(13,220)
Cash at Beginning of Year	19,149	15,017
Cash at End of Year	$ 15,017	$ 1,797

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1989 AND 1990

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statements

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities.

The statements of current funds, revenues, expenditures and other changes are statements of financial activities of current funds related to the current reporting periods and do not purport to present the results of operations or the net income or loss for the periods.

Fund Accounting

The accounts of the college are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed on their use.

Separate accounts are maintained for each fund, however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements.

The common characteristics of the funds contained in the various groups are as follows:

Current Funds:

The current funds group includes economic resources expendable in performing the primary objectives of the college, i.e., instruction and public service. The current funds group have two basic distinct subgroups: unrestricted funds which have no expenditure restrictions and restricted funds which have expenditure restrictions. Unrestricted current funds are comprised of the following:

Unrestricted - utilized for general operations in performing the primary objectives of the college.

Restricted - utilized for the operations of the college but limited by donors and other external agencies to specific purposes, programs or departments.

Auxiliary Enterprises - utilized in providing essential on-campus services primary to students, faculty and staff (self-supporting).

Student Loan Funds

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and college sources with the majority of the funds being provided by the federal government.

Plant Funds

Plant funds are separated into three distinct self-balancing subgroup accounts:

Renewal and Replacement - utilized for maintenance of institutional assets.

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost of long-term institutional assets and related liabilities and equity.

Inventories

Inventories, which consist mainly of bookstore supplies, are valued at cost (first-in/first-out method).

Investments

Substantially all cash of the College is administered through the Custer County Treasurer's office. The College entered into an agreement with Custer County to have cash on deposit invested under the County's repurchase agreement.

NOTE 1 (CONT)

The College's agreement with the County requires the County to make distributions of interest income to Miles Community College monthly, based on the end of the month cash balance of the College. The College is required to pay an administrative fee to the County in the amount of three percent of the interest income received.

Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition. Depreciation on physical plant and equipment is not recorded.

Unearned Tuition and Fees

Summer school tuition and fees revenues and related expenses are deferred at June 30, and recorded as revenues and expenses in the succeeding fiscal years.

NOTE 2 - MORTGAGES PAYABLE

Notes payable consists of:

	1990	1989
Interest free Note Payable to Miles Community College Endowment payable with 1/3 of the P.E. Building Fees collected, until the College has eliminated it's deficit in it's Plant Retirement Fund, at which time all Fees will go toward payment of the debt. Estimated annual payment of $8,000 through 1994, then $24,000 through 2013.	$442,038	$450,014
3% mortgage payable to the Department of Housing and Urban Development, due in semi-annual payments, ranging from $1,700 to $4,500, plus interest, to July 2012, secured by real estate.	150,800	155,600
11% contract payable, due in monthly installments of $581, including interest, to may 1990, secured by the telephone system.	--	5,529
	$592,838	$611,143

NOTE 2 (CONT)

Notes payable maturities are as follows:

1991	$ 13,000
1992	13,200
1993	13,200
1994	13,400
1995	29,600
1996-2000	150,200
2001-2005	155,400
2006-2010	161,000
2011-2013	43,838
	$592,838

NOTE 3 - RETIREMENT PLANS

Full time employees of the Miles Community College are all members of the Public Employees' Retirement System (PERS) or Teachers' Retirement System (TRS). Only faculty and staff with contracts under the authority of the Board of Regents may elect the TRS.

TRS - This mandatory system established in 1937 and governed by Title 19, Chapter 4, MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center or unit of the University System. Eligibility is met with a minimum of 25 years of service or age 60 with 5 years of creditable service. The formula for accrual benefits is 1/60 times creditable service times the average final compensation. Rights are vested after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits.

PERS - This mandatory system established in 1945 and governed by Title 19, Chapter 3, MCA, provides retirement services to substantially all public employees. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Beginning January 1, 1989, monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Members rights become vested after 5 years of service.

NOTE 3 (CONT)

	PERS		TRS	
	1989	1990	1989	1990
Covered Payroll	$ 293,709	$ 340,300	$ 784,113	$ 850,224
Total Payroll	$1,187,885	$1,280,308	$1,187,885	$1,280,308
Employer Contribution	$ 18,847	$ 21,837	$ 58,244	$ 63,418
Percent of Covered Payroll	6.417%	6.417%	7.428%	7.459%
Employee Contribution	$ 17,623	$ 20,929	$ 55,233	$ 59,890
Percent of Covered Payroll	6%	6.15%	7.044%	7.044%

NOTE 4 - COMPENSATED ABSENCES

The college accounts for unused vacation and sick leave in accordance with the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. Permanent employees can accumulate and carry to the following calendar year two times the maximum number of vacation days earned annually. Unused vacation leave is paid at full value to employees upon termination. Upon termination, unused sick leave earned is paid to the employee at 25% of value.

NOTE 5 - CONTINGENT LIABILITY - RELATED PARTY TRANSACTION

The Board of Trustees of the College signed a note payable to Miles Community College Endowment Corporation, of 1/3 of the P.E. Building Fee collected until the current deficit in the plant fund for the CENTRA Building debt retirement is eliminated. The fee collected is $1.50 per credit hour on a maximum of 12 hours. The deficit is the CENTRA Building debt retirement fund as of June 30, 1990 was $65,673.

The Miles Community College Endowment Corporation is a separate corporation formed to promote Miles Community College.

SUPPLEMENTAL SCHEDULES

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Legislative Audit Committee of the
Montana State Legislature

I have audited the financial statements of Miles Community College, for the years ended June 30, 1989 and 1990, and have issued my report thereon dated October 7, 1990. These financial statements are the responsibility of Miles Community College management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit in accordnace with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the financial statements of Miles Community College, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

James J. Wosepka

Baker, Montana
October 7, 1990

LICENSED IN NORTH DAKOTA AND MONTANA

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR YEARS ENDED JUNE 30, 1989 AND 1990

Direct -	1989	1990
DEPARTMENT OF EDUCATION-		
Perkins Loans Advanced	$ 9,118	$ 8,793
College Work-Study Program	9,376	11,057
Supplemental Educational Opportunity Grant Program	25,809	26,363
Pell Grant Program	439,726	472,756
Title III - Strengthening	30,010	252,346
Title VIII - Coop Education	57,295	44,803
Title II - Retired Senior Volunteers	17,752	17,752
Total Department of Education	589,086	833,870
DEPARTMENT OF COMMERCE -		
Public Telecommunications Facilities Program	35,716	--
Total Direct	624,802	833,870
IN DIRECT -		
DEPARTMENT OF EDUCATION -		
STATE OFFICE OF PUBLIC INSTRUCTION -		
Adult Basic Education	20,127	21,555
Carl Perkins -		
Faculty Revitalization	6,974	21,230
Single Parents	13,245	8,503
Math for Meds	--	6,833
Operators	3,499	3,564
Mechanics	3,499	3,564
Skill Update	36,264	--
Nurses Aide Program	44,709	--
First Time Jobseekers	18,451	--
Career Guidance	10,987	--
Total Office of Public Instruction	157,755	65,249
STATE COMMISSIONER OF HIGHER EDUCATION -		
SSIG	4,279	4,343
Total Indirect	162,034	69,592
	$786,836	$903,462

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

SCHEDULE OF ENROLLMENT STATISTICS
FOR THE YEARS ENDED
JUNE 30, 1989 AND 1990

QUARTER	FULL-TIME EQUIVALENT
Summer, 1988	34.7
Fall, 1988	461.6
Winter, 1989	483.2
Spring, 1989	449.4
Summer, 1989	41.5
Fall, 1989	446.9
Winter, 1990	470.6
Spring, 1990	429.9

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Legislative Audit Committee
of the Montana State Legislature

I have audited the financial statements of Miles Community College for the years ended June 30, 1989 and 1990 and have issued my report thereon dated October 7, 1990.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of Miles Community College for the years ended June 30, 1989 and 1990, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Miles Community College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absoluted, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure of future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

LICENSED IN NORTH DAKOTA AND MONTANA

For the purpose of this report, I have classified the significant internal control structure policies and prodecures in the following categories:

Cash and Cash Equivalents -
Receipts and Disbursements

Receivables
Payables and Accruals
Debt
Fund Balance

For all of the control categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards estblished by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

However, my study and evaluation and my examinations disclosed the following condition that I believe results in more than low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.

* * * * * * * * * * * * *

Miles Community College does not conduct an annual inventory of property and equipment.

This condition was considered in determining the nature, timing and extent of the audit tests to be applied in (1) my examinations of the financial statements for the years ended June 30, 1989 and 1990 and (2) my examinations and review of the College's compliance could have a material effect on the allowability of program expenditures for each nonmajor

federal financial assistance program. This report does not affect my reports on financial statements and on the College's compliance with laws and regulations dated October 7, 1990.

This report is intended solely for the use of management and the cognizant audit agency and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Legislative Audit Committee of the Montana State Legislature, is a matter of public record.

James J. Wozyka

Baker, Montana
October 7, 1990

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) - BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Legislative Audit Committee
of the Montana State Legislature

I have examined the financial statements of Miles Community College for the years ended June 30, 1989 and 1990 and have issued my report thereon dated October 7, 1990. As part of my examinations, I made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent I considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions." For the purpose of this report, I have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls:
- Cash and cash equivalents-Receipts and Disbursements
- Receivables
- Payables and accrued liabilities
- Debt
- Fund Balances
- Cash Management
- Eligibility

Administrative Controls:
- General Requirements -
  - Cash Management
  - Federal Financial Reports
- Specific Requirements -
  - Types of services
  - Eligibility
  - Reporting

The management of Miles Community College is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs.

LICENSED IN NORTH DAKOTA AND MONTANA

In fulfilling that responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, wth respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

My study included all of the applicable control categories listed above. During the years ended June 30, 1989 and 1990, Miles Community College had the following major federal financial assistance programs and expended 60% and 80% in 1989 and 1990 respectively of its total federal financial assistance under these federal financial assistance programs:

Pell Grants
Title III Strengthening

With respect to internal control systems used in administering these nonmajor federal financial assistance programs, my study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to internal control systems used solely in administering the other nonmajor federal financial assistance programs of Miles Community College, my study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting systems used solely in administering these nonmajor federal financial assistance programs of the Miles Community College did not extend beyond this preliminary review phase.

My study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Miles Community College. Accordingly, I do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Miles Community College.

Also, my examinations, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems, for which my study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report.

However, my study and evaluation and my examinations disclosed the following conditions that I believe results in more than low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.

* * * * * * * * * * * * *

Miles Community College does not conduct an annual inventory of property and equipment.

* * * * * * * * * * * * *

This condition was considered in determining the nature, timing and extent of the audit tests to be applied in (1) my examinations of the financial statements for the years ended June 30, 1989 and 1990 and (2) my examinations and review of the College's compliance with laws regulations noncompliance with which I believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program. This report does not affect my reports on general purpose financial statements and on the College's compliance with laws and regulations dated October 7, 1990.

This report is intended solely for the use of management and the cognizant audit agency and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Legislative Audit Committee of the Montana State Legislature, is a matter of public record.

James J. Worsley

Baker, Montana
October 7, 1990

COLLEGE REPLY

MILES COMMUNITY COLLEGE
2715 Dickinson
MILES CITY, MONTANA 59301
Telephone (406) 232-3031

October 29, 1990

JAMES J. WOSEPKA, CPA
P O BOX 602
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RE: Agency Response to Audit Recommendations

#1 Inventory of Property, Plant and Equipment:

The College concurs with this recommendation. This is our number one priority for the next biennum.

#2 Delinquency Rate Exceeds 5% in NSL Program:

Concur. We continue to bring all of our loan accounts into current status. We feel that we have reduced our delinquency rates significantly from several years ago.

If there is further information needed, please contact me at your convenience. Thank you.

W. Wayne Muri
Business Manager
Miles Community College